GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2808
ANSWERED ON:19.12.2003
MANAGEMENT OF CALCUTTA STOCK EXCHANGE
KINJARAPU YERRANNAIDU

Will the Minister of FINANCE be pleased to state:

(a) whether the Government has noticed deficiencies in the management of Calcutta Stock Exchange;

(b) if so, the details thereof with the steps being taken to streamline the working of the Calcutta Stock Exchange; and

(c) the steps SEBI is taking to ensure proper working of stock exchanges in the country?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANANDRAO V. ADSUL)

a) Yes, Sir.

b) The Securities and Exchange Board of India (SEBI) conducted an inspection of Calcutta Stock Exchange (CSE) and found severa deficiencies in the risk management and surveillance system of the exchange. The Committee of CSE was unable to discharge its duty towards the exchange and the investors. The functioning of the Committee had created uncertainty and ambiguity even amongst the members of the committee and insecurity amongst the investors. Also, the financial condition of the exchange was also found to be very weak. The situation warranted immediate action to stop the further deterioration of the functioning of the Committee.

Thus, SEBI superceded the Committee of CSE on December 04, 2003 for a period of one year and appointed Shri Tushar Kant Das, IAS (retd.) as administrator of the exchange to exercise and perform all the powers and duties of the Committee.

c) In order to remove operational, market and systemic risks SEBI has taken following major steps to ensure proper working of the stock exchanges :

1) Issued orders in January 2002 specifying that no broker member of the stock exchanges shall be an office bearer of an exchange, i.e., hold the position of President, Vice President, Treasurer, etc.
2) Advised the exchanges to have time bound arbitration proceedings.
3) Exchanges have been advised to submit a scheme of corporatisation and demutualization. To facilitate the process, a Bill to amend the Securities Contracts (Regulation) Act, 1956 has been introduced in the Parliament on August 19, 2003, and is presently being examined by the Standing Committee on Finance.
4) Advised the stock exchanges that no broker director shall be authorized to sign any cheques or operate any bank accounts on behalf of the stock exchange.
5) Issued model bye-laws, in October, 2003, which would be applicable to all exchanges.
6) Introduced shorter settlement cycles.
7) Started holding weekly surveillance meetings with stock exchanges and depositories